



**WRITTEN TESTIMONY OF ANNE M. LANG
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**Before the
FEDERAL ADVISORY COMMITTEE ON THE AUDITING PROFESSION
UNITED STATES DEPARTMENT OF THE TREASURY
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Audit • Tax • Advisory

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I thank Chairman Levitt, Chairman Nicolaisen, members of the Committee, Treasury staff and observers for the invitation to present Grant Thornton's views on human capital in public accounting. My comments are framed in the context of the Human Capital Subcommittee recommendations in the Advisory Committee's May 5 draft report.

I am Anne Lang, the Chief Human Resources Officer of Grant Thornton LLP, the U.S. member of the global public accounting network, Grant Thornton International, Ltd. Grant Thornton LLP has more than 5,500 personnel in more than 50 offices across the United States. The member firms of Grant Thornton International are in over 110 countries, with some 2,200 global partners and 27,000 international firm personnel, including those in the U.S. firm.

Grant Thornton LLP and its people are committed to serving the public interest by conducting our business with respect, integrity, professional excellence and leadership. This culture drives us as we serve clients of all size in the United States and – through the member firms of Grant Thornton International – around the globe. We recognize that the value of our work derives from the quality, knowledge, expertise and trustworthiness of the people in our firm.

The talent we bring to the marketplace must be sustainable in quality, depth, diversity and quantity. We are stewards of the profession and the capital markets. We have the responsibility to develop auditors who serve the public interest nationally and in the communities in which we live and work – and our people must be able to exercise these important responsibilities.

The heart of our firm's culture and strategy is the "Grant Thornton Experience." By listening to our people, we developed the Grant Thornton Experience so that each person will have the opportunity to achieve his or her aspirations within the Grant Thornton organization. Our firm:

- offers meaningful and challenging work,
- provides career development to support professional growth,
- recognizes what our people do and pays them fairly,
- creates an environment where our people feel connected and appreciated, and
- fosters a culture of pride by enhancing our reputation in the marketplace.

We work hard, every single day, to make sure that every person in the firm lives the Grant Thornton Experience.

We have been quite successful in recruiting and retaining bright and committed accounting and auditing professionals into our increasingly diverse workforce, and the firm has been widely recognized for its workplace quality, both nationally and locally. In *Public Accounting Report's* 26th Annual Survey of Accounting Professors, Grant Thornton LLP topped the list of the largest accounting firms as the best for work-life balance and professional ethics. We are proud of both aspects of this recognition: balance and ethics.

Despite the efforts of our firm and the other firms in our profession, public accounting faces disturbing demographic trends. Unless considerable progress is made in educating and attracting more well-qualified matriculating students, and generating more doctoral faculty to do so, there will be a talent shortage of significant proportions. Without a secure pipeline of competent talent, the profession – and all those who rely on us – will suffer deeply.

The Advisory Committee's May 5 draft report does an excellent job of covering and addressing many of the relevant factors that can secure this pipeline. It also offers many fine recommendations related to retaining a capable, committed and diverse public accounting workforce.

Today, I would like to offer a few observations about several of the Advisory Committee's draft recommendations and add additional perspectives that may enhance the final report.

Market-driven, Dynamic Curricula and Content for Accounting Students

Even though we have seen a record number of students pursuing accounting degrees at U.S. colleges and universities, the number of students alone does not tell the complete story. The vibrancy of the profession depends on a diverse population of incoming professionals who are at the top levels of academic and personal achievement and appropriately educated to begin work in a public accounting firm.

Unfortunately, today's snapshot does not capture the vision of the future.

We are heartened by the Advisory Committee's focus on the longer term. We encourage you to evaluate each draft recommendation through five- and ten-year lenses. Even though a sufficient number of students are available this year, complacency is not a realistic option. Only a few years ago, the profession's concern was focused on a shortage of students. We believe the complexities of supply and demand warrant continued concern and should be actively monitored.

Taking the conservative position that Murphy's Law will likely apply, the profession will encounter these problems precisely at the moment when today's transformative changes accelerate on a global scale. The profession, and the educational system that supports it, must take the necessary steps now to address the professional and educational implications of these changes. The profession is currently seeing some progress, but solutions must advance considerably to avoid falling behind the curve in attracting and educating a large enough supply of the very "best and brightest" matriculating students. By the "best and brightest," I mean students with more than smarts, good grades and a college degree. We need entrants who also possess broad business knowledge, a contemporary world view, critical thinking skills and the special expertise needed to meet evolving demands.

As the Advisory Committee finalizes its recommendations in this area, we ask that you consider some additional observations.

- In looking at changes in curriculum and professional examination content, we ask that the Advisory Committee consider additions and enhancements that focus on the investor. A narrow focus on the business and technology of accounting and auditing, or even the audit profession, tends to obscure its public interest mandate. Implementing changes that take into account investors' needs and perceptions, including dealing with ethical judgments, will help ensure that auditors conduct high quality audits that come as close as possible to what investors and other financial statement users expect.
- Firms like Grant Thornton that serve large, global public companies must be able to recruit and retain individuals with specialized knowledge and expertise beyond accounting-related disciplines. Such knowledge and expertise is a necessary complement to the work of auditors and a significant contributor to audit quality. For example, the increasing use of complex and evolving financial instruments by public companies requires that members of the audit team have specialized knowledge in, or internal access to, risk management, computational finance, valuation theory and sophisticated modeling techniques, among other related disciplines.

We ask that the Advisory Committee make specific reference to the need for programs and curricula that impart the specific knowledge necessary to review, judge and pointedly question accounting and auditing matters with skepticism. Audit team members need a deep understanding of accounting and auditing, but they must also be able to apply expertise that goes beyond what is now taught in the core accounting curriculum. We do not expect that a single program can accomplish this objective within the current model of accounting education. Therefore, we ask the Advisory Committee to consider advancing the concept of alternative programmatic and curricular options as entry points to the profession.

- We also ask this Advisory Committee to consider *how information is imparted* in a dynamic curriculum. At Grant Thornton, we have found that traditional methods centered on lecture and PowerPoint presentations are very often not the most effective way of engaging and educating students – or of enabling them to retain and apply important information that is subsequently put to use on the job. During the past year, we have conducted internal research to help us understand how our people learn best and how they can absorb what they learn most effectively. We have found that interactive, simulation-based, small-group learning has produced better results in our training at all levels. We are also evaluating mobile learning strategies that provide support to our professionals as they apply the learned concepts on the job. We continue to evaluate how new modes of educating our people can enhance their Grant Thornton Experience.

In formulating recommendations in this area, the Advisory Committee may wish to consider how education is imparted as well as the content of that education. While each professor and class is unique, support for additional research into how accounting and auditing curricula can be engagingly delivered to improve knowledge, retention and application would be very beneficial. For example, the Advisory Committee might consider how the profession could organize to work effectively with the academic community in making active learning models a more common aspect of an accounting education. The profession may be able to provide expertise, teaching materials and other support.

Diversity in the Profession

The recruitment and retention of a diverse workforce comprising high-caliber individuals who can perform effective audits of America's public companies is a continuing challenge and a top priority. We believe that recommendations in the Advisory Committee draft report will go a long way toward encouraging such professional diversity.

- We are intrigued by the idea of further exploring community colleges as a pipeline for identifying and attracting talent into the profession. We note, however, that professional licensing and education requirements – as well as the firms' own knowledge demands – require that individuals who wish to pursue careers in public company auditing after receiving two-year degrees continue their education in order to acquire the necessary skills to qualify to sit for the CPA exam in their respective jurisdictions. Holding down a rigorous job during the day while pursuing additional college-level education after hours is a hurdle that is often very difficult for even the most driven professional to manage.

We believe that accreditation of two-year college accounting programs at community colleges should be explored, because these programs can be a cost-efficient way of fulfilling required coursework in anticipation of achieving a four-year degree. The Advisory Committee might consider forming a study group to look at these opportunities as well as funding and scholarships that would help support qualified students in two-year programs.

- We also note that the ability of the firms to hire and keep diverse talent is highly dependent on their perceptions about the vitality of the profession and their personal risk. As the Advisory Committee considers the auditing profession's sustainability, we encourage it to take into account the impact of perceptions about sustainability on a diverse group of prospective and current professionals.

Supply of Qualified Accounting Faculty to Meet Future Demand

As this Committee has heard before, America's colleges and universities simply do not have enough Ph.D.-level faculty members to educate the next generation of auditors. While current and retired practitioners with expertise in auditing and tax can be compelling educators who can help fill current gaps, Ph.D.s who specialize in these two areas are critically important to ensure that accounting remains an academic discipline buttressed by meaningful research that explores emerging and practical issues.

We support the recommendations in the draft report and believe that they will be helpful in closing the short-term gap and in ultimately bringing more Ph.D.s into the system. We encourage the Advisory Committee to continue to address this problem with a focus on the long-term incentives necessary to resolve the Ph.D. shortage.

Consistent Demographic and Higher Education Program Profile Data

To understand and assess the challenges facing accounting education, we agree with the Advisory Committee that a credible and consistent body of demographic and higher education program data is important. Information about the demographic profile of professional accountants and auditors, entry-level supply and demand of related personnel and accounting firm retention practices, among other points, can form the baseline for a meaningful understanding of firms' human capital needs and practices.

Commission to Study Future of Higher Education Structure for the Profession

The Advisory Committee's fifth recommendation that would establish a commission to study the future of higher education structures for the profession is a very sound one. In considering the commission's membership, we hope that a broad range of investor, business and academic interests are represented.

Teaching Accounting in High School

As the Advisory Committee continues to discuss ways to encourage a predisposition toward an accounting career prior to college, we offer a few thoughts.

We have found that early and positive awareness of the profession is a key advantage in fueling the pipeline of students choosing accounting majors in college. Research and anecdotal evidence suggest that students who have taken a high school accounting class are more likely to say they will enter the accounting profession than those who have not. However, most high school accounting classes today are taught in a vocational track that focuses on basic bookkeeping. They are usually not offered as an academic discipline that would lead to rigorous higher education and a career in a public accounting firm. The current vocational focus often turns off the college-bound students who would most likely make public accounting their career. Most college-bound students do not consider taking vocational courses, so the benefit of such offerings to the public accounting firms is essentially lost, even though they may be helpful elsewhere.

The National Business Educators Association and the AICPA have established a pilot project at Kansas State University to develop an honors-type college preparatory course. In addition, the Commonwealth of Kentucky is engaged in very promising work to revamp the high school accounting curriculum, including a new curricular guide and textbook. This work, and other pilots, should be the departure point for broader implementation.

We ask the Advisory Committee to focus on accounting course content and delivery at the high school level in a way that challenges college-bound students and portrays accounting as a dynamic, intellectually stimulating and meaningful career.

I thank you for this opportunity to present Grant Thornton's perspectives about human capital in the auditing profession. Our people are the foundation of a sustainable, strong, competitive and vibrant auditing profession and I am pleased to see that the Advisory Committee has recognized their essential role. As professional services organizations, the quality of our work is completely dependent on the individuals who fuel it.

I am happy to address any questions you may have and provide additional information you may need.